

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02 PRS-01

/107 W

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R 082255Z AUG 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 135

UNCLAS BOGOTA 7524

EO 11652: NA

TAGS: ENGR CO

SUBJ: PETROLEUM PRICES RIASED

1. GOC ANNOUNCED NEW PRICES FOR MARGINAL AND NEW CRUDE PETROLEUM. RESOLUTION 045 AND 046 OF AUG 5 SET PRICES FOR MARGINAL CRUDE AT 3.50 U.S.\$ A BARREL FOR 27 DEGREE API PLUS TWO CENTS PER GRADE. NEW CRUDE PRICE WILL DEPEND ON DEPTH AND LOCATION OF WELL. WEST OF CORDILLERAS OIL WILL BE PRICED 5.50 U.S.\$ FOR DEPTHS LESS THAN 7,500 FT, 6.00 U.S.\$ FROM 7,500 TO 12,500 AND 6.60 U.S.\$ FOR DEPTHS GREATER THAN 12,500. PETROLEUM FOUND IN EAST, I.E. LLANOS, WILL BE 50 CENTS HIGHER AT ALL DEPTHS. SINCE MOST OIL IN COLOMBIA IS LIKELY TO BE FOUND AT DEPTHS GREATER THAN 12,500, EFFECTIVE PRICES WILL BE 6.50 U.S.\$ AND 7.00 U.S. \$ A BARREL.

2. MOST OIL COMPANIES SAY THAT THESE PRICES ARE COMPETITIVE FOR OIL EXPLORATION DOLLARS AND EXPLORATION ACTIVITY, WHICH HAD GROUND TO A HALT, SHOULD NOW PICK UHRM WITH THESE PRICES COLOMBIA IS TAKING A LARGE STEP TOWARD A RATIONAL ENERGY POLICY BUT EVEN WITH LUCK WILL NOT BE ABLE TO SUBSTANTIALLY INCREASE PRODUCTION BEFORE 1980.

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3. THE MARGINAL CRUDE PRICE WILL BE APPLIED TO PRODUCTION INCREMENTAL TO A DECLINE CURVE WHICH WILL HAVE TO BE NEGOTIATED FOR EACH XUIEGG. PRODUCTION IN FIRST QUARTER 1975 AVERAGED 160,375 B/D AND DECLINING AT A RATE THAT WOULD MEAN YEAR END PRODUCTION AROUND 151,000 B/D. THE NEW PRICES SHOULD MAKE IT POSSIBLE TO RASIE PRODUCTION NEXT YEAR BY 20,000 TO 25,000 B/D ABOUT EQUAL TO PROJECTED 76 DEFICIT. UNLESS CONSUMPTION IS RESTRAINED, HOWEVER, COLOMBIA WILL STILL FACE GROWING PETROLEUM DEFICIT FROM END OF 1976.

4. OIL COMPANIES ARE EXPECTING PETROLEUM DOLLAR TO BE ELIMINATED SOMETIME THIS YEAR RAISING THEIR PRICE FOR OLD CRUDE FROM 1.55 TO 1.69. THIS PRICE INCREASE AND THAT OR MARGINAL CRUDE WILL HAVE TO BE PASSED ON TO CONSUMERS OR ECOPETROL WILL GO INTO RED. SPECULATION IS THAT INTERNAL PRICE INCREASE OF 100 TO 125 PERCENT WILL TAKE PLACE AROUND DEC WHEN GOC WILL HAVE MET GOAL OF KEEPING INFLATION FOR YEAR WITHIN 20 PERCENT AND WHEN COLOMBIANS WILL BE BUSY WITH HOLIDAY CELEBRATIONS. THIS 100 PERCENT PRICE INCREASE SHOULD RAISE DOMESTIC PRICES, EXCLUDING EFFECT IN INFLATIONARY EXPECTATIONS, BY ABOUT 3 PERCENT.

5. THIS IS SOME LOCAL SPECULATION THAT ONCE THE GOVERNMENT IS WILLING TO RAISE INTERNAL PRICE, IT COULD PROCEED WITH BUYING IN TO A JOINT VENTURE FINANCING THIS BY PRICE INCREASE. AND WITH ICE BROKEN ON INTERNAL PRICES, AND PRODUCTION NATIONALIZED, GOC MAY THEN BE ABLE TO RASIE PRICE TO A LEVEL THAT COULD HAVE SIGNIFICANT AFFECT ON CONSUMPTION.
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